

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 SP-02 USIA-06 AID-05 EB-08

NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-01 DODE-00 PA-01 PRS-01 /108 W

-----071020Z 053522 /20

R 070757Z MAR 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6781

INFO AMEMBASSY JAKARTA

AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY TOKYO

AMEMBASSY SINGAPORE

AMEMBASSY OTTAWA

AMEMBASSY CANBERRA

AMEMBASSY WELLINGTON

USMISSION EC BRUSSELS

USDEL MTN GENEVA

CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 3306

CINCPAC FOR POLAD

SUMMARY. AMBASSADOR MANALO HAS SUGGESTED TO ANTHONY GEBER THAT US/ASEAN ECONOMIC CONSULTATIONS BE HELD BEFORE THE ASEAN SUMMIT IN AUGUST. SUBJECT TO CONSULTATIONS WITH OTHER ASEAN MEMBERS SHE PROPOSED SECOND WEEK IN JUNE AS POSSIBLE TARGET. SHE RAISED QUESTION OF U.S. CONCESSIONAL FINANCING FOR ASEAN INDUSTRIAL PROJECTS WHICH GEBER DID NOT PARTICULARLY ENCOURAGE. GEBER REITERATED OUR INTEREST IN DISCUSSING INVESTMENT. GEBER ALSO HAS USEFUL EXCHANGE OF VIEWS WITH NEDA OFFICIALS AND DISCUSSED ADB ROLE IN ASEAN INDUSTRIAL PROJECT FINANCING WITH ADB STAFF. END SUMMARY.
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1. DURING CALL ON MARCH 4 BY EA/EP DIRECTOR GEBER AND EMBOFF, AMBASSADOR ROSARIO MANALO, DEPUTY DG OF GOP NATIONAL ASEAN SECRETARIAT, STATED THAT SHE WAS RECOMMENDING TO THE OTHER NATIONAL SECRETARIATS THAT THE US/ASEAN DIALOGUE BE HELD BEFORE THE ASEAN SUMMIT MEETING IN AUGUST IN KUALA LUMPUR. AS A PERSONAL

SUGGESTION AND SUBJECT TO CLEARANCE WITH OTHER ASEAN MEMBERS SHE SUGGESTED THE SECOND WEEK OF JUNE. GEBER SAID THAT WE WILL BE GUIDED BY ASEAN DESIRES ON TIMING BUT WE WILL HAVE TO ASCERTAIN AVAILABILITY OF APPROPRIATE OFFICIALS ON EXACT DATES.

2. MRS. MANALO AGREED WITH GEBER THAT THE FIRST US/ASEAN MEETING SHOULD BE A SUCCESS WITH SUBSTANTIVE DISCUSSIONS, AND PREPARATIONS FOR IT SHOULD INCLUDE EXCHANGE OF ISSUES LIKELY TO BE RAISED IN ADVANCE SO THAT EACH SIDE WOULD BE ABLE TO ANSWER SUBSTANTIVELY. IN THIS RESPECT, MRS. MANALO CITED THE EXAMPLE OF THE ASEAN/CANADIAN MEETING FOR WHICH THE CANADIAN AMBASSADOR HAD MET WITH HER SEVERAL TIMES AND ONCE WITH OFFICIALS FROM OTHER ASEAN CAPITALS TO PREPARE FOR IT. SHE SUGGESTED THAT PERHAPS WASHINGTON COULD SEND SOMEONE TO MANILA FOR THIS PURPOSE.

3. MRS. MANALO SAID THAT THE ASEAN/JAPANESE DIALOGUE WILL BEGIN ITS FIRST FORMAL MEETING IN JAKARTA AT THE END OF THE MONTH. ASEAN HAS ALSO AGREED TO MEET WITH PRIME MINISTER FUKUDA SOMETIME AFTER THE ASEAN SUMMIT IN AUGUST. THERE IS ALSO A POSSIBILITY OF A HEADS OF GOVERNMENT MEETING WITH AUSTRALIA.

4. CONCERNING THE AGENDA OF THE US/ASEAN MEETING MRS. MANALO SAID SHE WILL NOW COORDINATE ASEAN MEMBERS' SUBSTANTIVE REACTIONS TO U.S. PROPOSALS CONTAINED IN TALKING PAPER. SHE INQUIRED ABOUT CONFIDENTIAL

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POSSIBILITY OF U.S. CONCESSIONAL FINANCING FOR THE FIVE ASEAN INDUSTRIAL PROJECTS. GEBER, REITERATED OUR PREFERENCE THAT THE CONSULTATIONS CONCENTRATE ON POLICY ISSUES RATHER THAN AID QUESTIONS, ALTHOUGH WE WOULD NOT EXCLUDE A DISCUSSION OF AID. GEBER, SEPAKING PERSONALLY, EXPLAINED SOME OF THE CONSTRAINTS WHICH WOULD MITIGATE AGAINST U.S. CONCESSIONAL FINANCING FOR INDUSTRIAL PROJECTS. FIRST, THERE WAS THE CONGRESSIONAL MANDATE THAT ASSISTANCE BE DIRECTED ESSENTIALLY TO AGRICULTURE, RURAL DEVELOPMENT, HEALTH AND EDUCATION. AID NO LONGER ENGAGED IN INDUSTRIAL OR INFRASTRUCTURE PROJECTS. CONCEIVABLY ASEAN FERTILIZER PROJECTS MAY QUALIFY AS BENEFITTING AGRICULTURAL PRODUCTION BUT EVEN

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C O N F I D E N T I A L SECTION 2 OF 2 MANILA 3306

CINCPAC FOR POLAD

THEN WE WOULD HAVE TO CONSIDER BUDGETARY RESOURCE AVAILABILITIES. GEBER ALSO POINTED OUT THAT THE ASEAN PROJECTS HAD BARELY REACHED THE FEASIBILITY STUDY STAGE. FINALLY, GEBER STRESSED THAT IN OUR VIEW THESE PROJECTS COULD OR SHOULD HAVE SUBSTANTIAL PRIVATE SECTOR PARTICIPATION IF THEY WERE ECONOMICALLY FEASIBLE.

5. REFERRING TO TYPE OF PROJECTS UNDERTAKEN BY CANADA, AUSTRALIA AND NEW ZEALAND, GEBER DID SAY THAT WE COULD CONSIDER THE POSSIBILITY OF ACCOMMO-
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DATING SUCH REGIONAL PROJECTS. BUT HE REMINDED MRS. MANALO THAT FOR THE LAST TEN YEARS THE US HAS SUPPORTED REGIONAL PROJECTS IN THE AREA, WAS

INSTRUMENTAL IN THE ESTABLISHMENT OF A SERIES OF RESEARCH AND TRAINING CENTERS AND IT WOULD BE HIGHLY DESIREABLE NOT TO DUPLICATE THEIR WORK AND TO MAKE USE OF THEIR FACILITIES FOR POSSIBLY EXPANDED PROGRAMS. MRS. MANALO AGREED READILY.

6. GEBER THEN SAID THAT WE DO WISH TO DISCUSS PRIVATE INVESTMENT. WE RECOGNIZE THAT INVESTMENT POLICIES AND CONDITIONS VARY IN THE DIFFERENT ASEAN COUNTRIES AND WE DO NOT WISH TO DISCUSS SPECIFIC BILATERAL ISSUES. BUT THERE IS SOME COMMON GROUND AS EXEMPLIFIED BY ASEAN APPROACH ON U.S. TAX DEFERRAL. WHILE WE HAVE NOT YET ARTICULATED OUR POSITION IN DETAIL, WE WOULD UNDOUBTEDLY WISH TO EXPLORE WITH ASEAN ENHANCED ROLE OF PRIVATE INVESTMENT IN PROMOTING ASEAN ECONOMIC STRENGTH AND COHESION. WE WILL BE INTERESTED IN THE MEETING PLANNED FOR APRIL IN BRUSSELS BRINGING ASEAN TOGETHER WITH EUROPEAN BUSINESS COMMUNITY. AMERICAN BUSINESS IN THE REGION IS VERY MUCH INTERESTED IN ASEAN DEVELOPMENTS AS DEMONSTRATED BY APCAC RESOLUTION (COPY OF WHICH WE PROMISED TO MRS. MANALO) AND WE OUGHT TO EXPLORE POSSIBILITY OF INITIATING DIALOGUE BETWEEN ASEAN PRIVATE SECTOR AND AMERICAN BUSINESS COMMUNITY. TAX DEFERRAL WAS DISCUSSED BRIEFLY, GEBER EXPLAINING SITUATION ALONG FAMILIAR LINES.

7. GEBER SUBSEQUENTLY CALLED ON BIENVENIDO NORIEGA, DIRECTOR OF THE POLICY COORDINATION STAFF OF NEDA, WHO CHAIRS THE GOP TECHNICAL COMMITTEE ON ASEAN ECONOMIC COOPERATION, THE WORKING LEVEL INTER-AGENCY COMMITTEE WHICH PREPARES THE GOP POSITIONS, MOSTLY ON INTRA-ASEAN ECONOMIC COOPERATION ISSUES. CONFIDENTIAL

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ASKED DIRECTLY AS TO HOW ASEAN WOULD OBTAIN THE FINANCING FOR THE INDUSTRIAL PROJECTS. MR. NORIEGA STATED THAT IF ASEAN WOULD SEEK FINANCING FROM JAPAN, IT WOULD ASK FOR CONCESSIONAL TERMS; OTHERWISE, IT WOULD LOOK FOR COMMERCIAL FINANCING IF THE PROJECTS WERE ECONOMICALLY VIABLE (IMPLYING THAT THEY SHOULD BE.) HE HAD NOT HEARD OF ANY MOVE TO SEEK CONCESSIONAL FINANCING FROM THE UNITED STATES. HE WAS ALSO TOLD THAT SECRETARY PATERNO HAD EXPRESSED VIEWS SIMILAR TO HIS (SEE LEE/PATERNO MEMCON, 2/28/77.)

8. GEBER ALSO CALLED ON AKIRA TSUSAKA, DEPUTY DIRECTOR FOR OPERATIONS AT ADB, AND MEMBERS OF HIS STAFF. ACCORDING TO THE ADB OFFICIALS, ASEAN (THROUGH SECRETARY PATERNO) HAD APPROACHED ADB ABOUT THE

POSSIBILITY OF FINANCING THE INDUSTRIAL PROJECTS.
THE BANK REPLIED THAT IT WOULD CONSIDER THOSE PROJECTS
ON THE SAME BASIS AS IT DID ANY OTHER PROJECT, THAT
IS, WHETHER THEY WERE ECONOMICALLY VIABLE AND TECH-
NICALLY WELL PREPARED. ASEAN OFFICIALS HAVE ALSO
RAISED WITH BANK THE POSSIBILITY OF "ADDITIONALITY",
THAT IS, ADDITIONAL RESOURCES ABOVE THOSE TARGETED
FOR INDIVIDUAL ASEAN COUNTRIES. THE BANK SAID THAT IT
DOES NOT MAKE COUNTRY ALLOCATIONS AND THEREFORE IT
CANNOT COMMIT ITSELF TO THE ADDITIONALITY REQUEST.
IT DID INDICATE THAT THE ADB WOULD BE PREPARED TO
TAKE THE LEAD AND BECOME THE CATALYST FOR OTHER DONOR
FINANCING. THIS LED TO A BRIEF DISCUSSION OF
A POSSIBLE ROLE OF U.S. EXIM BANK, INCLUDING COMMERCIAL
FINANCING OF U.S. EQUIPMENT. ADB OFFICIALS INDICATED
THAT THEY THEMSELVES THOUGHT OF SEEKING CO-FINANCING
FROM COMMERCIAL BANKS. TSUSAKA SURMISED THAT ASEAN
MINISTERS MAY AGAIN DISCUSS PROJECTS WITH ADB
MANAGEMENT AT ANNUAL MEETING IN APRIL.
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Message Attributes

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